



MILWAUKEE COUNTY

Employees' Retirement System of Milwaukee County

Monthly Update
January 31, 2012

Investment Manager Status Report

| <u>Investment Manager</u> | <u>Asset Class</u> | <u>Benchmark</u> | <u>Status</u> | <u>Date</u> | <u>Reason</u> |
|---------------------------|---------------------------------|-------------------------------|---------------|-------------|----------------------------------|
| J.P. Morgan | Core Fixed Income | BarCap Aggregate | In-Compliance | | |
| Mellon Capital | Core Fixed Income | BarCap Aggregate | In-Compliance | | |
| Mellon Capital | Large-Cap Core Equity | S&P 500 | In-Compliance | | |
| Boston Partners | Large-Cap Value Equity | Russell 1000 Value | In-Compliance | | |
| Artisan Partners | Mid-Cap Growth Equity | Russell MidCap Growth | In-Compliance | | |
| AQR | Small-Cap Value Equity | Russell 2000 Value | In-Compliance | | |
| Fiduciary Management | Small-Cap Value Equity | Russell 2000 Value | In-Compliance | | |
| Barings | International Core | MSCI EAFE | In-Compliance | | |
| GMO Large Cap Value | International Value | MSCI EAFE | Alert | Nov-10 | Performance |
| GMO Intl Small Companies | International Small Core | Citigroup ex. US <\$2 Billion | In-Compliance | | |
| Barings | Emerging Markets | MSCI Emerging Markets | Alert | Mar-11 | Investment Professional Turnover |
| ABS | Long/Short Equity | HFRX Hedged Equity | Alert | Jan-12 | Ownership Changes |
| K2 | Long/Short Equity | HFRX Hedged Equity | In-Compliance | | |
| Morgan Stanley | Real Estate Core | NCREIF - ODCE | Alert | Oct-11 | Investment Professional Turnover |
| American Realty | Real Estate Core | NCREIF - ODCE | Alert | Nov-11 | Investment Professional Turnover |
| UBS | Real Estate Core | NCREIF - ODCE | In-Compliance | | |
| IFM | Infrastructure | CPI + 4% | In-Compliance | | |
| J.P. Morgan | Infrastructure | CPI + 4% | In-Compliance | | |
| Adams Street | Private Equity FoFs Diversified | VE All Private Equity | In-Compliance | | |

Investment Manager Evaluation Terminology

The following terminology has been developed by Marquette Associates to facilitate efficient communication among the Investment Manager, Investment Consultant, and the Plan Sponsor. Each term signifies a particular status with the Fund and any conditions that may require improvement. In each case, communication is made only after consultation with the Trustees and/or the Investment Committee of the Plan.

In-Compliance – The investment manager states it is acting in accordance with the Investment Policy Guidelines.

Alert – The investment manager is notified of a problem in performance (usually related to a benchmark or volatility measure), a change in investment characteristics, an alteration in management style or key investment professionals, and/or any other irregularities.

On Notice – The investment manager is notified of continued concern with one or more Alert issues. Failure to improve upon stated issues within a specific time frame justifies termination.

Termination – The Trustees have decided to terminate the investment manager. The investment manager is notified and transition plans are in place.

Market Values

January 31, 2012

| Asset Class | Investment Manager | Market Values | Allocation | Target |
|-----------------------------------|------------------------------|-------------------------------|----------------------|----------------------|
| Core Fixed Income | J.P. Morgan | \$322,483,217 | 18.5% | 15.0% |
| Core Fixed Income | Mellon Capital - Non Lending | <u>\$159,625,934</u> | <u>9.1%</u> | <u>14.0%</u> |
| Total Fixed Income | | \$482,109,151 | 27.6% | 29.0% |
| Large-Cap Core Equity | Mellon Capital - Non Lending | \$111,443,577 | 6.4% | 6.0% |
| Large-Cap Value Equity | Boston Partners | \$131,650,719 | 7.5% | 7.0% |
| Mid-Cap Growth Equity | Artisan Partners | \$47,719,709 | 2.7% | 2.5% |
| Mid-Cap Growth Equity | iShares Mid-Cap Growth | \$38,554,124 | 2.2% | 2.5% |
| Small-Cap Value Equity | AQR | \$42,629,589 | 2.4% | 2.5% |
| Small-Cap Value Equity | Fiduciary Management | \$48,436,520 | 2.8% | 2.5% |
| Cash Securitization | Cash Equity Overlay | <u>\$4,931,304</u> | <u>0.3%</u> | <u>---</u> |
| Total U.S. Equity | | \$425,365,542 | 24.4% | 23.0% |
| International Large Cap | Barings | \$113,552,613 | 6.5% | 6.0% |
| International Large Cap | GMO | \$91,884,707 | 5.3% | 6.0% |
| International Small Cap | GMO | \$64,217,789 | 3.7% | 3.0% |
| Emerging Markets | Barings | <u>\$57,326,039</u> | <u>3.3%</u> | <u>3.0%</u> |
| Total International Equity | | \$326,981,148 | 18.7% | 18.0% |
| Hedged Equity | ABS | \$91,811,331 | 5.3% | 5.0% |
| Hedged Equity | K2 | <u>\$87,086,637</u> | <u>5.0%</u> | <u>5.0%</u> |
| Total Hedged Equity | | \$178,897,968 | 10.2% | 10.0% |
| Real Estate Core | Morgan Stanley | \$87,178,303 | 5.0% | --- |
| Real Estate Core | American Realty | \$27,008,521 | 1.5% | --- |
| Real Estate Core | Trumbull Property Fund | <u>\$15,000,000</u> | <u>0.9%</u> | <u>---</u> |
| Total Real Estate | | \$129,186,824 | 7.4% | 7.0% |
| Infrastructure | IFM | \$71,767,910 | 4.1% | 3.5% |
| Infrastructure | JP Morgan | <u>\$59,254,582</u> | <u>3.4%</u> | <u>3.5%</u> |
| Total Infrastructure | | \$131,022,492 | 7.5% | 7.0% |
| Private Equity FoFs Diversified | Progress | \$25,482 | 0.0% | --- |
| Private Equity FoFs Diversified | Adams Street 2005 | \$7,057,647 ¹ | 0.4% | --- |
| Private Equity FoFs Diversified | Adams Street 2009 | \$9,183,192 ² | 0.5% | --- |
| Private Equity FoFs Diversified | Brinson 1998 | \$2,250,681 | 0.1% | --- |
| Private Equity FoFs Diversified | Brinson 2001 | \$8,090,502 | 0.5% | --- |
| Private Equity - Direct | Separate Account - New | <u>\$9,220</u> | <u>0.0%</u> | <u>---</u> |
| Total Private Equity | | \$26,616,724 | 1.5% | 6.0% |
| Total Cash Equivalents | | \$46,228,661 | 2.6% | 0.0% |
| TOTAL PORTFOLIO | | <u>\$1,746,408,510</u> | <u>100.0%</u> | <u>100.0%</u> |

¹Commitment \$10mm

²Commitment \$30mm

Current Asset Allocation vs. Policy

| Asset Class | % of Assets | Policy Target | Difference | Target Range |
|----------------------|---------------|---------------|-------------|----------------|
| Fixed Income | 27.6% | 29.0% | -1.4% | 24% - 34% |
| Domestic Equity | 24.4% | 23.0% | 1.4% | 13% - 33% |
| International Equity | 18.7% | 18.0% | 0.7% | 8% - 28% |
| Hedge Funds | 10.2% | 10.0% | 0.2% | 7% - 13% |
| Real Estate | 7.4% | 7.0% | 0.4% | 4% - 10% |
| Infrastructure | 7.5% | 7.0% | 0.5% | 4% - 10% |
| Private Equity | 1.5% | 6.0% | -4.5% | 3% - 9% |
| Cash/Other | <u>2.6%</u> | <u>0.0%</u> | <u>2.6%</u> | <u>0% - 5%</u> |
| TOTAL | 100.0% | 100.0% | | |

Prepared by Marquette Associates, Inc.

Annualized Total Fund Performance (Gross of Fees)

January 31, 2012

| | Mth. | YTD | 1 Year | 2 Year | 3 Year | 4 Year | 5 Year | 7 Year | 10 Year |
|---|-------------|-------------|--------------|--------------|--------------|--------------|--------------|-------------|--------------|
| Total Fund Composite | 3.3% | 3.3% | 3.0% | 8.9% | 12.7% | 2.7% | 2.4% | 5.3% | 6.8% |
| Benchmark | | | | | | | | | |
| Policy Benchmark ¹ | 3.3% | 3.3% | 4.5% | 9.8% | 14.5% | 2.7% | 2.5% | 5.0% | 6.2% |
| Actuarial Rate of Return | --- | --- | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% |
| Total Fixed Income Composite | 0.9% | 0.9% | 8.1% | 6.9% | 10.1% | 6.8% | 7.0% | 6.3% | 7.2% |
| Benchmark | | | | | | | | | |
| BarCap Aggregate | 0.9% | 0.9% | 8.7% | 6.9% | 7.4% | 6.2% | 6.7% | 5.6% | 5.8% |
| Total Domestic Equity Composite | 5.9% | 5.9% | 2.8% | 14.1% | 21.5% | 2.9% | 1.7% | 5.1% | 5.3% |
| Benchmark | | | | | | | | | |
| Wilshire 5000 | 4.9% | 4.9% | 3.7% | 13.4% | 20.2% | 1.6% | 0.7% | 4.2% | 4.4% |
| Total International Equity Composite | 6.8% | 6.8% | -7.4% | 4.8% | 13.8% | -4.3% | -4.5% | 0.1% | 3.1% |
| Benchmark | | | | | | | | | |
| MSCI ACWI ex US | 6.8% | 6.8% | -8.3% | 4.2% | 17.2% | -2.9% | -1.3% | 5.2% | 7.9% |
| Total Hedged Equity Composite | 2.8% | 2.8% | -1.6% | 2.5% | --- | --- | --- | --- | --- |
| Benchmark | | | | | | | | | |
| HFRX Hedged Equity | 2.1% | 2.1% | -17.3% | -4.8% | 0.6% | -5.9% | -5.1% | -1.5% | 0.7% |
| Russell 3000 | 5.1% | 5.1% | 3.9% | 13.5% | 20.2% | 1.5% | 0.6% | 4.1% | 4.2% |
| MSCI ACWI | 5.8% | 5.8% | -3.0% | 8.0% | 18.2% | -1.1% | -0.5% | 4.5% | 5.7% |
| Total Real Estate Composite | --- | --- | 13.8% | 18.7% | 26.6% | 3.1% | -3.0% | 7.1% | 10.9% |
| Benchmark | | | | | | | | | |
| Custom Benchmark ² | --- | --- | 13.8% | 20.6% | 29.3% | 1.4% | -3.2% | 5.8% | 10.8% |
| NFI ODCE | --- | --- | 13.8% | 15.6% | -0.7% | -4.6% | -1.2% | 3.9% | 5.3% |
| Total Infrastructure Composite | 0.6% | 0.6% | 6.2% | --- | --- | --- | --- | --- | --- |
| Benchmark | | | | | | | | | |
| CPI + 4% | 0.3% | 0.3% | 6.6% | 6.1% | 6.3% | 5.7% | 6.2% | 6.4% | 6.5% |

¹ As of 9/30/2011, the Policy Benchmark consists of 36% BarCap Aggregate, 39% Wilshire 5000, 18% MSCI ACWI ex US, and 7% NFI ODCE. Prior to 9/30/2011, the Policy Benchmark consisted of 39% BarCap Aggregate, 36% Wilshire 5000, 18% MSCI ACWI ex US, and 7% NFI ODCE. Prior to 6/30/2010, the Policy Benchmark consisted of 35% BarCap Aggregate, 7% BarCap High Yield, 14% Wilshire 4500, 20% S&P 500, 16% MSCI EAFE, 4% MSCI World ex US, 1% 91 Day T-Bills, and 3% S&P Global REIT.

² As of 9/30/2010, the Custom Real Estate Benchmark consists of 100% NFI ODCE. As of 3/31/08, the Custom Benchmark consisted of 100% S&P Developed Property Index. Prior to 3/31/08, the Custom Real Estate Benchmark consisted of 100% MSCI US REIT Index.

Signifies Outperformance of Benchmark

Annualized Investment Manager Performance (Gross of Fees)

January 31, 2012

| | Mth. | YTD | 1 Year | 2 Year | 3 Year | 4 Year | 5 Year | 7 Year | 10 Year |
|---------------------------------------|-------|-------|--------|--------|--------|--------|--------|--------|---------|
| Fixed Income - Core | | | | | | | | | |
| J.P. Morgan | 0.9% | 0.9% | 7.8% | 6.7% | 7.9% | 6.4% | 6.9% | --- | --- |
| Mellon Capital | 0.9% | 0.9% | 8.6% | 6.8% | 7.3% | 6.2% | 6.7% | 5.7% | 5.8% |
| Benchmarks | | | | | | | | | |
| BarCap Aggregate | 0.9% | 0.9% | 8.7% | 6.9% | 7.4% | 6.2% | 6.7% | 5.6% | 5.8% |
| Large-Cap Core Equity | | | | | | | | | |
| Mellon Capital | 4.5% | 4.5% | 4.2% | 12.8% | 19.2% | 1.0% | 0.4% | 3.7% | 3.6% |
| Benchmarks | | | | | | | | | |
| S&P 500 | 4.5% | 4.5% | 4.2% | 12.8% | 19.2% | 1.0% | 0.3% | 3.6% | 3.5% |
| Large-Cap Value Equity | | | | | | | | | |
| Boston Partners | 5.3% | 5.3% | 3.6% | 11.9% | 18.9% | 2.1% | 1.4% | 5.8% | 5.9% |
| Benchmarks | | | | | | | | | |
| Russell 1000 Value | 3.8% | 3.8% | 1.9% | 11.3% | 17.6% | -1.3% | -2.2% | 2.8% | 4.4% |
| Mid-Cap Growth Equity | | | | | | | | | |
| Artisan Partners | 10.7% | 10.7% | 8.7% | 25.1% | 32.5% | 8.8% | 8.7% | 9.9% | 8.8% |
| iShares Mid-Cap Growth | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Benchmarks | | | | | | | | | |
| Russell MidCap Growth | 7.3% | 7.3% | 3.4% | 17.8% | 26.9% | 4.2% | 3.1% | 6.4% | 6.4% |
| Small-Cap Value Equity | | | | | | | | | |
| AQR | 7.3% | 7.3% | -0.2% | 13.5% | 24.8% | 2.9% | -0.5% | --- | --- |
| Fiduciary Management | 4.4% | 4.4% | -0.3% | 14.0% | --- | --- | --- | --- | --- |
| Benchmarks | | | | | | | | | |
| Russell 2000 Value | 6.7% | 6.7% | 0.7% | 13.7% | 20.9% | 2.9% | -0.9% | 3.9% | 7.0% |
| International Large-Cap Equity | | | | | | | | | |
| ¹ Barings | 7.1% | 7.1% | -3.0% | 5.7% | 14.1% | -3.3% | --- | --- | --- |
| ¹ GMO | 4.1% | 4.1% | -9.5% | 2.5% | 10.7% | -5.7% | -4.5% | 2.2% | 7.7% |
| Benchmarks | | | | | | | | | |
| MSCI EAFE | 5.4% | 5.4% | -9.2% | 2.6% | 13.9% | -4.4% | -3.4% | 3.2% | 6.3% |
| International Small-Cap Equity | | | | | | | | | |
| ¹ GMO | 6.8% | 6.8% | -9.6% | 6.1% | --- | --- | --- | --- | --- |
| Benchmarks | | | | | | | | | |
| Citigroup ex. US <\$2 Billion | 9.4% | 9.4% | -11.7% | 5.9% | 23.7% | 0.3% | 0.5% | 6.8% | 12.2% |
| Emerging Markets Equity | | | | | | | | | |
| ¹ Barings | 11.0% | 11.0% | -9.8% | 5.6% | --- | --- | --- | --- | --- |
| Benchmarks | | | | | | | | | |
| MSCI EM | 11.4% | 11.4% | -6.4% | 7.2% | 27.6% | 1.0% | 5.2% | 12.4% | 15.1% |

Annualized Investment Manager Performance (Gross of Fees)

January 31, 2012

| | Mth. | YTD | 1 Year | 2 Year | 3 Year | 4 Year | 5 Year | 7 Year | 10 Year |
|-------------------------------------|------|------|--------|--------|--------|--------|--------|--------|---------|
| Hedged Equity | | | | | | | | | |
| ¹ ABS | 2.2% | 2.2% | -0.4% | --- | --- | --- | --- | --- | --- |
| ¹ K2 | 3.4% | 3.4% | -2.9% | --- | --- | --- | --- | --- | --- |
| Benchmarks | | | | | | | | | |
| HFRX Hedged Equity | 2.1% | 2.1% | -17.3% | -4.8% | 0.6% | -5.9% | -5.1% | -1.5% | 0.7% |
| Russell 3000 | 5.1% | 5.1% | 3.9% | 13.5% | 20.2% | 1.5% | 0.6% | 4.1% | 4.2% |
| MSCI ACWI | 5.8% | 5.8% | -3.0% | 8.0% | 18.2% | -1.1% | -0.5% | 4.5% | 5.7% |
| Real Estate | | | | | | | | | |
| ² Morgan Stanley | --- | --- | 17.7% | --- | --- | --- | --- | --- | --- |
| ² American Realty | --- | --- | 15.0% | --- | --- | --- | --- | --- | --- |
| ² Trumbull Property Fund | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Benchmarks | | | | | | | | | |
| NCREIF - ODCE | --- | --- | 13.8% | 15.6% | -0.7% | -4.6% | -1.2% | 3.9% | 5.3% |
| Infrastructure | | | | | | | | | |
| ¹ IFM | 1.1% | 1.1% | 6.5% | --- | --- | --- | --- | --- | --- |
| ¹ JP Morgan | --- | --- | 5.9% | --- | --- | --- | --- | --- | --- |
| Benchmarks | | | | | | | | | |
| CPI + 4% | 0.3% | 0.3% | 6.6% | 6.1% | 6.3% | 5.7% | 6.2% | 6.4% | 6.5% |

Signifies Outperformance of Benchmark

¹ Performance reported is net of fees.

² Quarterly valued. Monthly performance not available.

Estimated Annual Investment Management Fees

based on January 31, 2012 reported Market Values

| Asset Class | Investment Manager | Fee Schedule | Expense Ratio & Estimated Annual Fee ¹ | Industry Average ² |
|--|------------------------------|---|--|----------------------------------|
| Core Fixed Income | J.P. Morgan | 0.20% on the first \$100 million 0.15% on the Balance | 0.17% \$533,725 | 0.24% |
| Core Fixed Income Large-Cap Core Equity | Mellon Capital - Non Lending | 0.04% on the first \$200 million 0.02% on the Balance | 0.03% \$94,214 | 0.08% |
| Large-Cap Value Equity | Boston Partners | 0.40% on the first \$15 million 0.30% on the next \$25 million 0.20% on the next \$25 million 0.15% on the next \$35 million 0.10% on the Balance | 0.25% \$215,597 | 0.51% |
| Mid-Cap Growth Equity | Artisan Partners | 0.80% on the first \$50 million 0.60% on the next \$50 million 0.50% on the Balance | 0.80% \$381,758 | 0.78% |
| Mid-Cap Growth Equity | iShares Mid-Cap Growth | 0.25% on the Balance | 0.25% \$96,385 | 0.78% |
| Small-Cap Value Equity | AQR | 1.00% on the first \$25 million 0.85% on the next \$50 million 0.75% on the Balance | 0.94% \$399,852 | 0.95% |
| Small-Cap Value Equity | Fiduciary Management | 0.70% on the first \$10 million 0.65% on the next \$40 million 0.60% on the next \$25 million 0.50% on the Balance | 0.66% \$319,837 | 0.95% |
| International Large Cap | Barings | 0.75% on the Balance | 0.75% \$851,645 | 0.68% |
| International Large Cap | GMO | 0.67% on the Balance | 0.67% \$615,628 | 1.04% |
| International Small Cap | GMO | 0.75% on the Balance | 0.75% \$481,633 | 1.04% |
| Emerging Markets | Barings | 0.75% on the Balance | 0.75% \$429,945 | 0.92% |
| Hedged Equity | ABS | 0.85% on the Balance *redemptions quarterly with 45 days notice | 0.85% \$780,396 | 1.37% |
| Hedged Equity | K2 | 0.90% on the Balance *redemptions quarterly with 91 days notice | 0.90% \$783,780 | 1.37% |
| Real Estate Core | Morgan Stanley | 0.90% on the Balance | 0.90% \$784,605 | 1.03% |
| Real Estate Core | American Realty | 0.95% on the Balance | 0.95% \$256,581 | 1.03% |
| Real Estate Core | Trumbull Property Fund | 0.955% on the first \$10 million 0.825% on the next \$15 million 0.805% on the next \$25 million 0.79% on the next \$50 million 0.67% on the next \$150 million 0.60% on the Balance | 0.91% \$136,750 | 1.03% |

Estimated Annual Investment Management Fees

based on January 31, 2012 reported Market Values

| | | | | |
|---|--|--|------------------------------------|--------------|
| Infrastructure | IFM | 1.25% on the first \$250 million 1.15% on the next \$250 million 1.00% on the Balance (two year hard lock)³ Performance Fee: 20% of return above 8% on a rolling three year basis (begins 12/31/11) | 1.25% \$897,099 | 1.80% |
| Infrastructure | JP Morgan | 2.00% on the Balance (six year soft lock, no performance fee)³ | 2.00% \$1,185,092 | 1.80% |
| Private Equity | Adams Street | 0.90% on the Balance until 2016 *based on \$40mm commitment | 0.60% \$239,551 | 1.11% |
| Cash Overlay | BNY Beta Management | 0.025% on the notional value | 0.025% \$12,778 | N/A |
| Total Investment Management Fees | | | 0.54% \$9,496,849 | 0.74% |
| Custodian | BNY Mellon (Custodian) (Cash Operating Account) | \$50,000 Flat Annual Fee 0.15% on STIF Funds | \$101,804 | |
| Fee Offsets: | | | | |
| Commission Recapture | CAPIS, LJR, and Abel Noser | | -\$3,132 | |
| Securities Lending | BNY Mellon | | -\$118,652 | |
| Total Fund | | | 0.54% \$9,476,869 | |

¹ Expense Ratio & Estimated Annual Fee are Based on Market Value at Quarter End.

² Source: 2010 Marquette Associates Investment Management Fee Study.

³ Hard Lock-Up - investors can withdraw 2.5% per quarter, free of charge during lock-up period. Soft Lock-Up - investors can withdraw semi-annually with a 6% redemption fee charged during lock-up period (4% to the Fund and 2% to the manager).

Glossary

Alpha measures nonsystematic return, or the return of the manager that cannot be attributed to the market. It can be thought of as how the manager performed if the market has no gain or loss. Marquette calculates alpha as the annualized y-intercept of the best fit line based on the ordinary least squares regression, using the market's quarterly return less the risk-free rate as the independent variable and the manager's quarterly return less the risk-free rate as the dependent variable. Marquette uses the 90-day T-Bill returns as the risk-free rate.

Beta measures the volatility of the manager. It is a measure of systematic risk, or the manager return attributable to market movements. A beta equal to 1.0 indicates a volatility level equivalent to the market. Higher betas are associated with higher volatility levels, while lower betas are associated with lower volatility levels. Marquette calculates beta as the covariance (correlation of two assets multiplied by their standard deviation) divided by the variance (standard deviation squared) of the market.

Credit Ratings are a method of evaluating the possibility of default by a bond issuer. Marquette uses ratings issued by Moody's Investors Service with the following ratings:

| | |
|-----|--------------------------|
| Aaa | Highest Quality |
| Aa | High Grade, High Quality |
| A | Upper Medium Grade |
| Baa | Medium Grade |
| Ba | Non-Investment Grade |
| B | Speculative |
| Caa | Poor to Default |
| Ca | Highest Speculation |
| C | May Be in Default |

Moody's uses the numerical modifiers 1 (highest), 2, and 3 in the range from Aa1 through Ca3.

Equity yield measures the annual return of the portfolio attributable to dividends. It is determined by dividing the total amount of annual dividends per total shares by the average market price of the total stocks in the portfolio.

Market capitalization is the value of a corporation as determined by the market price of its issued and outstanding common stock. It is calculated by multiplying the number of outstanding shares by the current market price of a share.

Modified Duration is the ratio of Macaulay duration to $(1 + y)$, where y = the bond yield. Modified duration is inversely related to the approximate percentage change in price for a given change in yield.

Net of Fees calculations are an estimate of the performance of the total fund and individual managers after taking into account management fees. The estimate is calculated by subtracting the current estimated annual expense ratio from the historical gross of fee returns.

Price-to-Book Ratio is a measure of relative value measuring the weighted average of the individual portfolio's Price/Book ratios. The ratio is calculated by dividing the price of a stock by the book value of the company. Low Price/Book ratios are associated with value stocks and vice versa.

Glossary

Price-to-Earnings Ratio is a measure of relative value measuring the weighted average of the individual portfolio's Price/Earnings ratios. The ratio is calculated by dividing the price of a stock by the last twelve months' earnings of the company. Low Price/Earnings ratios are associated with value stocks and vice versa.

R-Squared measures how closely the manager's returns track the benchmark. The closer the R-squared statistic is to 1.0, the more closely related the manager's returns are to the benchmark. A higher R-squared also increases the reliability of alpha and beta.

Sharpe Ratio measures the excess return per unit of risk. The higher the ratio, the more efficient the manager. It is the average return of the manager minus the risk-free rate, divided by the standard deviation of the differences of the two return streams.

Trading Effect assesses the total performance caused by cash flows into and out of the portfolio, in addition to all purchases and sales of securities during the quarter. This effect is calculated by subtracting the buy and hold equity return of the portfolio from the actual equity return of the portfolio for the quarter.

Yield to Worst is computed by using the lower of either the yield to maturity or the yield to call on every possible call date.

Due to current market conditions, there is general uncertainty regarding credit pricing which has resulted in significant differences between pricing sources. Marquette Associates, Inc. utilizes pricing sources it believes to be reliable; however, we can make no assurances as to their accuracy.

The sources of information used in this report are believed to be reliable. Marquette has not independently verified all of the information contained herein.

This report has been prepared and presented in compliance with the IMCA Performance Reporting Standards. It meets the mandatory requirements of those standards. IMCA has not been involved with the preparation or review of the report.